Organization and Decision

Translated into English for the first time, Luhmann's modern classic, *Organization and Decision*, explores how organizations work; how they should be designed, steered, and controlled; and how they order and structure society. Luhmann argues that organization is order, yet indeterminate. In this book, he shows how this paradox enables organizations to embed themselves within society without losing autonomy. In developing his autopoietic perspective on organizations, Luhmann applies his general theory of social systems by conceptualizing organizations as self-reproducing systems of decision communications. His innovative and interdisciplinary approach to the material (spanning organization studies, management and sociology) is integral to any study of organizations. This new translation enables researchers and graduate students across the English-speaking world to access Luhmann's ideas more readily.

NIKLAS LUHMANN (1927–1998) ranks as one of the most important German social theorists of the twentieth century. His works have been highly influential in sociology and other social sciences, including organization studies. The significance of organizations for Luhmann can be traced in his biography: at the beginning of his career, he spent almost eight years as a legal expert in public administration, through which he gained professional expertise in the function of organizations. This practice inspired much of his later theoretical work at Harvard's Graduate School for Public Administration, the University for Public Administration at Speyer, the Center for Social Research in Dortmund, where he was head of department, and at the Department of Sociology at Bielefeld University, where he largely refrained from administrative work. This book, which was one of Luhmann's last, can be regarded as his conclusion to over thirty years of research on organized social systems.

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Preface

Organizations deserve more attention than they have hitherto found – above all, a different sort of attention. This may seem a bold assertion given the many ways in which organizations are discussed in everyday communication and in the relevant scientific disciplines. But this is the very reason to concentrate our attention more strongly not on organizations as countable entities but on organization as a process. This is relevant from a theoretical perspective, given that inquiry into the essence of organization seems to have become unproductive (which is typical of questions of essence; indeed of what-questions per se). But a different understanding of organization could prove important for the purposes of practical policy. Precisely because organizations (again in the plural) have become crucial, indispensable to modern life, it could be important to have a better grasp of their "intrinsic logic." Especially if heteronomy – be it subjection to owners or other "masters," to liberal or socialist ideologies, or to representatives of interests that are themselves organized – is increasingly called into question, it could be important to give organizations a conception of themselves that enables them to answer for themselves. There is much talk of decentralization; more flexibility is demanded – for instance in regulating working time or flattening hierarchies, or in eliminating what is superfluous. But fashions in the slogans bandied about by the consulting industry are perhaps also among the external factors that ignore the question, far too complex for the sector, of whether the individual organization is not best able to find out on its own how best to cope. Where "participation" is practiced, the term is no longer used to express the pathos of becoming human or treating human beings as human beings; it addresses how to obtain the best possible results.

This should, however, not be interpreted as a recipe for "individual responsibility," "deregulation," "decentralization," and so forth. And, of course, there is no organization that does not depend heavily and with little freedom of action on its environment – for example, on its market or its sources of finance. But this still leaves unsettled the question of how an organization determines what it can do in the light of such dependence – in other words, how it can build freedoms, alternatives, leeway into its dependence on its environment and into

its dependence on its own past. We can reckon with a need for orientation. If this is so, the point of departure would have to be the question of how an organization distinguishes itself from what it is not and does not want to be.

However, such an inquiry takes us far beyond the usual conceptual and theoretical scope of organizational studies. We will have to address it without losing sight of the immediate aim of an organization theory adapted to present-day conditions. All cognitive systems process distinctions. They are the processing of their distinctions. This holds true for organizations – the subject of this study. But it also holds true for descriptions, for texts written about organizations. And it also applies, to quote Friedrich Schlegel, for the "organization of text" about organizations. The question is only how strict the linkage between distinctions turns out to be, how logically the system processes.

Models can be found in Hegel's dialectic. In describing self-organization (of the mind), Hegel treats distinctions as oppositions and oppositions as unstable. Having rejected subject theory as one-sided, he can therefore treat construction only as the cancellation of opposites. The consequences are well known. George Spencer-Brown's calculus of forms offers another example. In the guise of a mathematical calculus, it describes how forms (marked distinctions) come to observe themselves. Whereas Hegelian dialectic ends with the concept having done its job and "coming to itself," the calculus of forms ends by overreaching the scope of its own calculability and attaining a state that can only be described as "unresolvable indeterminacy," which requires further processing of imaginary worlds, time, memory, and leeway for oscillation. The system thus becomes an unpredictable, historical machine with an unforeseeable future.

Organizations are more likely to fit the calculus of forms than dialectal theory – at least if we no longer regard the organization as a goal-attaining (self-terminating) system (which has always been a normative-rational model and never an empirical description). On the other hand, it will hardly be possible to attribute the stringency of self-calculation to it. Organizational sociology will therefore have to go its own way.

Organizations are clearly non-calculable, unpredictable, historical systems each of which assumes a present it has itself generated. They are clearly systems that can observe themselves and others, which thus oscillate between self-reference and other-reference. They clearly owe their stability to a network of loose couplings and not to a "technology" of tight couplings. But this does not exclude writing texts about organizations that organize observations more stringently than do organizations themselves. Such a text will not seek to present a normative model of a rational organization; it promises no gains in rationality let alone lower costs. Nor does it seek to portray reality in the form of a reduced overview – as a map does of a country. It ventures beyond the

classical opposition between normative and descriptive theories in an attempt to show that a theoretical text can generate more cognitive consistency than is apparent in the everyday operations of systems. In this sense, the text will seek to elucidate through its own processing of distinctions – but, of course, by processing distinctions that distinguish the distinctions of organizations.

The first distinction (of the text) states that organizations are autopoietic systems, which produce and reproduce themselves through their own operations. This includes the thesis that organizations describe themselves as organizations; for an external observer could otherwise not know whether the system under observation is an organization or not. An observer can naturally construct their own "analytical" concepts, but these concepts can help one only to observe oneself.

We then come to the question of the operation by which an organization distinguishes itself from other autopoietic systems, thus defining itself as an organization, making itself into an organization. The answer is by decision. This raises the question of how decisions are distinguished and how they can be linked despite, indeed because of, their discreteness. The answer is provided by the concept of the absorption of uncertainty. This could suggest that by linking decisions, organizations transform uncertainty into certainty. Although this is true, it does not suffice to explain the potential of organizations for reflection and self-change. This can be achieved by distinguishing between decisions and the premises of decisions, which permits double closure of the system at both the operational and structural levels; and double closure is in general a condition for reflection. Finally, the premises for decision-making – differentiated into various types, namely decision-making programs, personnel and communication channels, responsibilities (division of labor) – are realized in decision-making contexts.

This crucial element of the theory makes it possible to treat the history of theory in organizational research in terms of what distinctions gain prominence and how the transition from one distinction to another can be explained, keeping in mind that every single distinction produces subcomplex results and calls up "supplements" (Derrida). Moreover, with the aid of the theoretical core we can try to estimate what barriers there are to the efforts of the organization at self-change and self-reflection; in other words, how real organizations differ from ideal conceptions of open changeability and complete self-transparency. Finally, it can be shown that and why organizations that generate and close themselves off in this manner differ from the societal system that makes them possible by enabling communication, that uses them to coordinate all sorts of communications, and that can nevertheless neither control nor monitor them.

The final question that arises from the distinction-theoretical approach is how the unity of a distinction is to be conceived (we have always spoken of

distinctions as if they were unities). The answer is that the unity of the distinction that is used for observation in each case cannot occur within the distinction itself. The unity of the distinction contradicts itself. It is a performative self-contradiction. It is a paradox. But the paradox is the observer himself, who cannot observe himself observing. In this sense, theory is concerned with resolving this paradox of observation – both at the level of its subject matter and at the level of the theory itself, that is to say, both other -referentially and self-referentially. And the link between theory and subject matter lies only in this insight. We thus presuppose neither principles of nature nor of reason, nor a concept of truth that promises some sort of "adequate" linkage of these two components of knowledge. The premise of organization is the unknownness of the future, and the success of organizations lies in the treatment of this uncertainty: its intensification, its specification, and the reduction of its costs.

Whoever has difficulty coming to terms with this and is not curious enough to try it out should read no further.